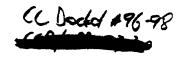
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Before the FEDERAL COMMUNICATIONS COMMISSION Washington, D.C. 20554

In the Matter of)	E STATE OF THE STA	WILL CALL
ASSOCIATION FOR LOCAL)	ે વ	190
TELECOMMUNICATION SERVICES)	CCB/CPD 97-30	THE TOWN CO.
Request for Clarification of the Commission's)		THE WAY TO SEE
Rules Regarding Reciprocal Compensation for)		•
Information Service Provider Traffic)		
)		

COMMENTS OF DOBSON WIRELESS, INC.

Dobson Wireless, Inc. ("Dobson"), files these comments in support of ALTS' request for clarification on the issue of a CLECs right to receive reciprocal compensation for local traffic terminated to an Internet Service Provider ("ISP").

I. INTRODUCTION

Dobson Wireless, Inc. is a competitive local exchange carrier ("CLEC") currently operating in Oklahoma. Dobson has executed an interconnection agreement with Southwestern Bell Telephone Company ("SWBT") for the State of Oklahoma. Dobson has also initiated interconnection negotiations with SWBT in Texas and plans to initiate other negotiations in the future. While Dobson does not currently provide service to ISPs, Dobson expects to be in the position, as all ILECs currently are, to make its services available to all interested customers including ISPs. The ILEC's position that CLECs are not entitled to reciprocal compensation for terminating local traffic to ISPs threatens Dobson's ability to provide service to those customers.

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The ALTS petition specifically requests clarification that nothing in the Commission's Local Competition Order. altered the Commission's rule that calls to an ISP made from within a local calling area must be treated as local calls by any and all LECs involved in carrying those calls. ALTS request for clarification was prompted by several ILECs' refusal to pay CLECs for such traffic in compliance with reciprocal compensation agreements.

Dobson, itself, has recently experienced first hand an ILEC's attempt to escape its responsibility for paying for local traffic terminating with an ISP. On June 9, 1997 Mr. Stephen Dobson, President of Dobson, received a letter from Southwestern Bell Telephone Company ("SWBT") stating that SWBT would not pay reciprocal compensation to Dobson for local exchange traffic delivered to ISPs (Letter attached hereto as Exhibit A). On July 1, 1997, counsel for Dobson responded to SWBT demanding that SWBT comply with the terms of the executed interconnection agreement between the companies and maintaining Dobson's right to receive reciprocal compensation for local calls terminated to ISPs (Letter attached hereto as Exhibit B). Dobson considers the ALTS petition particularly timely and urges the Commission to provide clarification as quickly as possible.

II. THE INTERCONNECTION AGREEMENTS REQUIRE RECIPROCAL COMPENSATION FOR LOCAL TRAFFIC TERMINATED TO ISPS.

Pursuant to the Telecommunications Act of 1996 ("Act"), Dobson has entered into an interconnection agreement with SWBT in Oklahoma and is currently negotiating an interconnection agreement with SWBT in Texas. Each of the interconnection agreements addresses the exchange of traffic between Dobson and the ILEC. The Agreements provide that Dobson and the ILEC will exchange traffic between their respective networks in a manner that will permit a customer subscribing to

In the Matter of Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, FCC Docket No. 96-98, at para. 155 (rel. August 8, 1996) ("Local Competition Order").

Dobson's local exchange service to place calls to customers subscribing to the ILEC's local exchange service, and *vice versa*. This relationship was negotiated and agreed upon between the carriers in order to ensure that all end users maintain seamless service and that all carriers recover the costs of terminating the other carrier's traffic.

Any change in Commission policy concerning the terms "reciprocal compensation" and "local traffic" could directly impact the relationship between the CLEC and ILEC established in many interconnection agreements. This relationship should not be interfered with in light of the public policy of the United States which is to "...to preserve the vibrant and competitive free market that presently exists for the Internet and other interactive computer services, unfettered by Federal or State regulation," 47 U.S.C. §230(b)(2). As demonstrated below, the relationship negotiated between the carriers is based on the existing Internet market in which ILECs have historically terminated *local* traffic to ISPs at *local* rates.

III. A CALL FROM THE END USER TO THE ISP IS A LOCAL CALL.

It is undisputed that the calls at issue here are calls between an ILEC customer and a Dobson customer within a specifically defined local calling area. For example, the call goes from the ILEC's end user through an ILEC switch to a point of interconnection agreed to between the ILEC and Dobson. The call is then transported by Dobson to its switch and is routed, transported and terminated to the Dobson customer by Dobson. Of course the call may be transported *visa versa* from the CLEC's customer to the ILEC's ISP customer. Both the ILEC's and Dobson's customers have purchased local exchange service from their chosen local exchange provider from the provider's local exchange tariff. In terms of the functions performed by Dobson or the ILEC, it is clear that the functions performed, and costs incurred, in terminating a local call to an ISP are no different than terminating any other local call between an end user of the ILEC to the end user of a CLEC.

The ILECs argue that calls to ISPs do not "terminate" at the ISP's equipment, but rather terminate on the Internet, a world-wide network of interconnected computers. A call placed over the public switched telecommunications network is considered to be "terminated" when it is delivered to the local exchange service bearing the called telephone number. The call is completed at that point, regardless of the identity or status of the called party. Nothing in the interconnection agreements or applicable law or regulations creates a distinction pertaining to calls placed to local exchange service customers simply because they are ISPs.

The ILECs attempt to argue that the nature of this call is altered due to the service provided by the ISP. This argument is untenable in light of the ILECs historic treatment of its own ISP customers. The ILECs must admit that their ISP customers are and always have been treated as simply another end user when the call is to an ILEC-served ISP from an ILEC end user in the same local calling area. The fact that the service is provided by a CLEC does not change that outcome.

IV. THE COMMISSION HAS ALREADY DETERMINED THAT THE TRANSMISSIONS ARE SEVERABLE

The mere fact that an ISP may enable a caller to access the Internet does not alter the legal status of the connection between the customer and the ISP as being a local call. The local call to the telephone exchange service of an ISP is a separate and distinguishable transmission from any subsequent Internet connection enabled by the ISP. The Commission's recent Report and Order on Universal Service and First Report and Order on Access Charge Reform affirm the fact that the local call to the ISP and the subsequent Internet transmissions are severable. In the Universal Service Order, the Commission

In the Matter of Federal-State Joint Board on Universal Service, Report and Order, CC Docket No. 96-45 (rel. May 8, 1997) ("Universal Service Order"). In the Matter of Access Charge Reform, First Report and Order, CC Docket No. 96-262 (rel. May 17, 1997) ("Access Charge Reform Order").

determined that Internet access consists of severable components: the first component being the connection to the Internet service provider via voice grade access to the public switched network, and the second component being the information service subsequently provided by the ISP.³ Since the first component is a simple local exchange telephone call it is eligible for reciprocal compensation under the interconnection agreements.

In the Access Charge Reform Order, the Commission declined to assess interstate access charges on ISPs. The Commission, in fact, characterized the connection from the end user to the ISP as local traffic when it stated, "[t]o maximize the number of subscribers that can reach [ISPs] through a local call, most ISPs have deployed points of presence."

V. THE ILEC'S OWN CONDUCT IS EVIDENCE THAT TRAFFIC TO ISPS IS LOCAL.

The ALTS petition accurately stresses that the ILEC's own conduct in treating traffic to ISPs as local traffic is conclusive proof that such traffic should be treated as local for the purposes of reciprocal compensation. Most, if not all, ILECs charge their own customers local rates for traffic to ISPs and therefore classify such traffic as local for purposes of interstate separations. This is a clear demonstration that the ILECs treat the call from its customer to the ISP as a *local* call. At least up to this point in time, treating such calls as local has been beneficial to ILECs. If this traffic were deemed interstate then an RBOC's provision of such traffic would be in direct violation of Section 271 of the Act. Now that the RBOCs view this position as detrimental, they are attempting to recharacterize such traffic.

Universal Service Order, paras. 83, 788-789.

⁴ Access Charge Reform Order, paras. 344-348.

Access Charge Reform Order, n.502 (emphasis added).

ILECs should not be permitted to unilaterally change the manner in which ISPs are considered to be served especially when it appears that the ILECs objective is to injure its competition. First, the ILECs have never raised this issue when they were the sole providers of the local service to the end user, ISP. Rather, the ILECs benefited for many years by providing local service to ISPs. Now, the ILECs want to preclude their competitors from benefiting from terminating such traffic upon entry into the local exchange market. Second, the ILECs treatment of such calls as local enabled them to provision service to ISPs. If the traffic were truly interstate then the RBOCs would have been in violation of Section 271 of the Act.

Furthermore, as the Commission is aware Bell Atlantic in a recent proceeding proposed employing local exchange service in its provision of Internet access services. Bell Atlantic states that "[f]or dial-up access, the end user will place a local call to the Bell Atlantic Internet hub site from either a local residence or business line. . . . Bell Atlantic's [ISP] vendor will subscribe to local telephone services -- either standard business lines or ISDN -- to receive the call.

VI. THE ARGUMENT ASSERTED BY THE ILECS THAT PROMPTED THIS PROCEEDING HAS BEEN REJECTED BY SEVERAL STATE COMMISSIONS

On May 29, 1997, the staff of the New York Department of Public Service condemned action taken by an affiliate of NYNEX, New York Telephone Company ("NYT"). NYT had unilaterally attempted to revise the terms of an interconnection agreement for reciprocal compensation for traffic delivered to ISPs. The Department informed NYT that the interpretation expressed in NYT's letters regarding reciprocal compensation had not been approved by the Department and that it was at odds with NYT's treatment of this traffic as intrastate in its assessment of usage charges to other customers.

Offer of Comparably Efficient Interconnection to Providers of Enhanced Internet Access Services, Amendment to Bell Atlantic Plan to Expand Service Following Merger with NYNEX, CCB Pol. 96-09 (rec'd May 5, 1997), at 3 (emphasis added).

NYT was instructed, and NYT subsequently agreed, to continue to pay reciprocal compensation for traffic delivered to ISPs.

Furthermore, at least five state regulatory agencies have rejected the ILEC's position. When U S West asserted a similar argument that traffic originated by or terminated to enhanced service providers should be exempted from reciprocal compensation arrangements under interconnection Agreements, the states of Arizona, Colorado, Minnesota, Oregon, and Washington all declined to treat traffic to enhanced service providers, including Internet service providers, any differently than other local traffic. These decisions, together with the recent NYPSC Staff decision, should be considered by the Commission as persuasive evidence that the ILEC's position has failed to find support in any jurisdiction that has considered the issue. This is not a surprising result given the inexplicable and discriminatory difference the ILECs propose be applied to their ISP customers and the ISP customers of CLECs.

Petition of MFS Communications Company, Inc., for Arbitration of Interconnection Rates, Terms, and Conditions with US WEST Communications, Inc., Pursuant to 47 U.S.C. § 252(b) of the Telecommunications Act of 1996, Opinion and Order, Decision No. 59872, Docket No. U-2752-96-362 et al. (Arizona Corp. Comm. Oct. 29, 1996) at 7.

Petition of MFS Communications Company, Inc., for Arbitration Pursuant to 47 U.S.C. § 252(b) of Interconnection Rates, Terms, and Conditions with US WEST Communications, Inc., Decision Regarding Petition for Arbitration, Docket No. 96A-287T (Col. PUC Nov. 5, 1996) at 30.

^{2'} Consolidated Petitions of AT&T, MCImetro and MFS Communications for Arbitration with US West, Order Resolving Arbitration Issues, Docket Nos. P-442, 421/M-96-855, P-5321, 421/M-96-909, P-3167, 421/M-96-729 (Minn. PUC Dec. 2, 1996) at 75-76.

Petition of MFS Communications Company, Inc., for Arbitration of Interconnection Rates, Terms, and Conditions Pursuant to 47 U.S.C. Sec. 252(b) of the Telecommunications Act of 1996, Commission Decision, Order No. 96-324 (Ore. PUC Dec. 9, 1996) at 13.

Petition for Arbitration of an Interconnection Agreement Between MFS Communications Company, Inc. and US WEST Communications, Inc., Pursuant to 47 USC § 252, Arbitrator's Report and Decision, Docket No. UT-960323 (Wash. Utils. and Transp. Comm. Nov. 8, 1996) at 26.

VII. CLECS ARE ENTITLED TO RECIPROCAL COMPENSATION FOR TERMINATING LOCAL CALLS TO ISPS.

Section 251(b)(5) of the Act imposes on each local exchange carrier the duty to establish "reciprocal compensation arrangements for the transport and termination of telecommunications."

In its Local Competition Order, 12 the Commission found that Athe reciprocal compensation provisions of section 251(b)(5) for transport and termination of traffic do not apply to the transport or termination of interstate or intrastate interexchange traffic. (2) Certain ILECs recently refused to pay reciprocal compensation based on the theory that a call to an ISP provider does not "terminate(2) at the ISP provider's site, but instead terminates at the site of the source of the information that the ISP provider enables its customer to access. The ILECs fail to support this theory. Rather, as demonstrated above, the Act, the Commission and even the ILECs by virtue of their own historic provisioning of such service to their own end user customers, and execution of interconnection agreements, have all affirmed that a call from an end user to an ISP within the same LATA is a local call and, therefore, requires reciprocal compensation under the Act.

Pursuant to the Act and the Commission's Local Competition Order, ILECs have entered into reciprocal compensation agreements with CLECs for the transport and termination of local calls. These agreements provide for reciprocal compensation for all local traffic. No exception is made for local traffic to ISPs. Quite the contrary, as explained above, due to the historic treatment of local traffic to ISPs by ILECs, such traffic was expected to receive reciprocal compensation. Many ILECs have made reciprocal compensation payments to CLECs for the local traffic terminated with an ISP. It was only recently that ILECs changed their position. It is Dobson's understanding that ILECs in Maryland,

Local Competition Order, at para. 155.

Local Competition Order, at para. 1034.

Massachusetts and New York paid reciprocal compensation for local calls terminated with ISP customers pursuant to interconnection agreements executed in accordance with the Act. These carriers should be estopped from refusing to continue to pay reciprocal compensation for such calls.

VIII. ADOPTION OF THE ILECS POSITION HAS SEVERE ANTICOMPETITIVE IMPLICATIONS

The ILECs' position would also have severe anticompetitive implications. Any carrier terminating calls to an ISP incurs costs in terminating such calls (which are the same costs incurred in terminating calls to any other end user). Since the ILECs control most of the originating traffic within its territory, CLECs, such as Dobson, would be forced to terminate these calls without compensation. CLECs would be unable to recover the costs of terminating the traffic which would possible threaten their ability to remain in business. The inevitable result would be that no CLEC would be willing to furnish service to an ISP and, therefore, ISPs would be deprived of the competitive benefits envisioned by the Act.

IX. **CONCLUSION**

The Commission should grant the ruling requested by ALTS, and supported by Dobson, that all local traffic, including traffic delivered to LECs to be terminated with LEC customers who happen to be ISPs, is eligible for reciprocal compensation pursuant to valid and binding interconnection agreements [or, as the case may be, local exchange service tariffs.]

Respectfully submitted,

Douglas G Bonner

SWIDLEN & BERLIN, CHARTERED

3000 K Street, N.W., Suite 300

Washington, D.C. 20007

(202) 424-7500 (telephone)

(202) 424-7645 (fax)

Dated: July 17, 1997

EXHIBIT A

June 9, 1997

Mr. Steven Dobson
President
Dobson Wireless, Inc.
13439 N. Broadway Extension
Suite 200
Oklahoma City, OK 73114

RE: Local Terminating Compensation for Delivery of Internet Service Provider Traffic

Dear Mr. Dobson:

The purpose of this letter is to address local terminating compensation for the delivery of traffic destined for internet service providers (ISPs).

Originating access to an ISP is accomplished by the ISP's subscribers dialing a seven digit telephone number which local exchange carriers route through their switching networks to the ISP's premises. The ISP often uses special access circuits to transport this originating interexchange access traffic to a distant location.

The FCC has found, and the courts have agreed, that the jurisdiction of traffic is determined by the end-to-end nature of a call. In paragraph 28 of the FCC's Order Designating Issues for Investigation in CC Docket No. 88-180, released April 22, 1988, the FCC disagreed with an argument by Southwestern Bell that 800 credit card traffic terminated at the IXC's credit card switch for jurisdictional purposes. The FCC stated that the switching performed at a credit card switch was an intermediate step in a single end-to-end communication. It is the ultimate destination that must be used to jurisdictionalize a call. In the NARUC vs. FCC decision issued October 26, 1984, (746 F.2d 1492), the court found that even the use of facilities that are wholly within an exchange may be jurisdictionally interstate as a result of the traffic that uses them.

The FCC provided ISPs, insofar as they are also enhanced service providers, with an access charge exemption that permits ISPs to use local exchange services in lieu of access services to receive originating interstate calls (and to terminate interstate calls to the extent this functionality is required). The use of local exchange services by an ISP does not change, in any way, the jurisdiction of the originating interstate traffic transported over these services to the ISPs premises. In other words, this originating interstate access traffic does not become "local traffic" simply because the FCC permits an ISP to use business local exchange service as its exchange access service.

Mr. Steven Dobson June 9, 1997 Page 2

In paragraph 1034 of its Local Competition Order in CC Docket No. 96-98, released August 8, 1996, the FCC stated that the reciprocal compensation provisions of section 251(b)(5) would only apply to local traffic as defined by the state commission (paragraph 1035). Further, the FCC specifically ruled that reciprocal compensation did not apply to interstate or intrastate interexchange traffic. As such, Southwestern Bell/Pacific Bell will not request, nor will it pay, local terminating compensation for interstate or intrastate interexchange traffic. This includes calls passed to ISPs pursuant to local interconnection agreements since this traffic is jointly provided originating interexchange access. This decision satisfies the spirit and intent of the Telecommunications Act of 1996 and is consistent with the provisions of local interconnection agreements.

If you would like to discuss this matter further, I can be reached on 214-464-8145 or you may call your account manager, Sharon McGee, on 214-464-8147.

Sincerely,

cc: Sharon McGee

EXHIBIT B

DOUGLAS G. BONNER ATTORNEY-AT-LAW



DIRECT DIAL (202)424-7701

July 1, 1997

VIA FACSIMILE (214) 464-1486 AND U.S. MAIL

Mr. Larry B. Cooper
General Manager - Competitive Provider Account Team
Southwestern Bell Telephone
One Bell Plaza
Suite 0525
Dallas, TX 75202

Re: Reciprocal Compensation for Local Traffic Delivered to Internet Service Providers

Dear Mr. Cooper:

I am writing in response to your letter dated June 9, 1997 to Mr. Stephen Dobson, President of Dobson Wireless, Inc. ("Dobson") regarding Southwestern Bell Telephone's ("SWBT") position that it will not pay reciprocal compensation to Dobson for local exchange traffic delivered to Internet Service Providers ("ISPs"). SWBT's position that traffic delivered to ISPs is not "local traffic" eligible for reciprocal compensation is untenable. Even though Dobson and SWBT have agreed under their interconnection agreement that "bill and keep" shall be the reciprocal compensation arrangement for the first nine months of their agreement in Oklahoma, for the purposes of calculating reciprocal compensation when the bill and keep period expires, nothing in the Agreement between Dobson and SWBT allows SWBT to treat traffic delivered to ISPs using local exchange service as anything but Local Traffic. Dobson hereby demands that SWBT comply with the clear terms of the Agreement and treat all Local Traffic, including traffic delivered to ISPs, as eligible for reciprocal compensation.

As SWBT probably knows, other regional Bell operating companies ("RBOCS") have asserted similar arguments to avoid their obligations to competitive local exchange carriers ("CLECs"). In New York, when New York Telephone ("NYT") informed CLECs that it intended to withhold reciprocal compensation for traffic delivered to ISPs, the Staff of the Department of Public Service quickly informed NYT that it must first obtain Commission approval prior to such an action. This decision was based, in part, on the fact that NYT charges its own end users local rates for traffic delivered to ISPs. Because SWBT undoubtedly assesses similar charges to its end users, classifying such traffic as local for purposes of interstate separations, a similar outcome should result in Oklahoma.

¹ Interconnection Agreement - Oklahoma Between Southwestern Bell Telephone Company and Dobson Wireless, Inc. (dated April 16, 1997)("Agreement"), Attachment 12: Compensation, Sec. 1.4

Mr. Larry B. Cooper July 1, 1997 Page Two

SWBT has also failed to consider that calls that are dialed using local exchange service numbers and are answered by customers within the local exchange service area are defined as "local traffic" under the Agreement. See Attachment 12, Sec. 1.2. The Agreement does not recognize any disparate treatment of local traffic depending upon the identity of the called party; there is no artificial distinction drawn between local calls placed to ISPs and local calls placed to anyone else. See Section 5.0 et seq. The mere fact that an ISP may enable a caller to access the Internet does not alter the legal status of the connection between the customer and the ISP as being a local call. The local call to the local exchange service number of an ISP is a separate and distinguishable transmission from any subsequent internet transmission handled by the ISP.

The FCC's recent orders on Universal Service and Access Charge Reform affirm this fact.² In the *Universal Service Order*, the FCC determined that internet access consists of severable components: the connection to the internet service provider via voice grade access to the public switched network, and the information service subsequently provided by the ISP.³ In other words, the first component is a simple local exchange telephone call. Such a call is eligible for reciprocal compensation under the Agreement. In addition, while all providers of interstate telecommunications services must contribute to the Universal Service Fund, the FCC explicitly excludes ISPs from the obligation.⁴

In the Access Charge Reform Order, the FCC declined to allow LECs to assess interstate access charges on ISPs.⁵ Indeed, the FCC unambiguously characterized the connection from the end user to the ISP as local traffic: "To maximize the number of subscribers that can reach them through a local call, most ISPs have deployed points of presence." There can be no doubt that at this time the FCC does not consider Internet access to be interstate or international communications.

In the Matter of Federal-State Joint Board on Universal Service, Report and Order, CC Docket No. 96-45 (rel. May 8, 1997) ("Universal Service Order"). In the Matter of Access Charge Reform, First Report and Order, CC Docket No. 96-262 (rel. May 17, 1997) ("Access Charge Reform Order").

³ Universal Service Order, paras. 83, 788-789.

⁴ Universal Service Order, paras. 787-788.

⁵ Access Charge Reform Order, paras. 344-348.

⁶ Access Charge Reform Order, n.502 (emphasis added).

Mr. Larry B. Cooper July 1, 1997 Page Three

The totally untenable nature of SWBT's position is underscored by the fact that if such traffic were deemed interstate rather than local, SWBT would violate Section 271 of the Federal Act prohibiting the provision of interLATA service by an RBOC every time a SWBT customer connected with an ISP in SWBT's serving area. Undoubtedly, SWBT cannot intend for this result to occur.

As for the authorities you cite in your letter, neither decision is applicable here. The FCC decision, Order Designating Issues for Investigation,⁷ relates to the access of an interexchange carrier's local point of presence for the purpose of placing interstate basic telecommunications services. This situation is not present here because an ISP provides enhanced services to an end user that accesses the ISP's local facilities through a local telephone call.

Furthermore, NARUC v. FCC^e stands for the principle that the FCC may, if it so desires, assert jurisdiction in regard to any transmission that contains an interstate component. There is no question here that the FCC may assert jurisdiction over ISP traffic, including the local telephone call used to access an ISP. However, in refusing to assess access charges on local calls to ISPs, the FCC has declined to exercise jurisdiction over these calls — instead, allowing carriers such as SWBT to continue to treat these calls as local for tariffing and separations purposes. In the absence of a decision by the FCC to exercise jurisdiction over a set of communications, NARUC is hardly compelling.

There can be no question that the position taken by SWBT regarding reciprocal compensation for traffic delivered to ISPs is clearly contradicted by the language of the Interconnection Agreement and the position of the FCC. Dobson considers any withholding of such reciprocal compensation, when such reciprocal compensation becomes due at the end of the bill and keep period, to be a breach of the Agreement and demands that SWBT honor its obligation to pay Dobson for all local exchange traffic delivered to any Dobson ISP customers.

Douges G. Bonner

Counsel for Dobson Wireless, Inc.

⁷ In the Matter of Southwestern Bell Telephone Company, Order Designating Issues for Investigation, CC Docket No. 88-180 (rel. Apr. 22, 1988).

^a 746 F.2d 1492 (D.C. Cir. 1984).

Mr. Larry B. Cooper July 1, 1997 Page Four

cc:

Mr. Stephen Dobson Andrew D. Lipman, Esq.